

4. Based upon available knowledge about the benchmark standards, as presently structured, our analysis indicates that our existing rates are above the FCC benchmark rates and that, in order to comply with the benchmark standards, it would be necessary for us to substantially reduce our existing rates by more than 10%, to a level that we believe is confiscatory. We estimate that a rate reduction of this magnitude would result in a loss of revenues of approximately \$2 million per month. We would not be able to recover this lost revenue if the FCC later revises and/or clarifies its benchmark standards to permit higher rates or if the benchmark standards are later found to be arbitrary and unlawful. We believe that the FCC's benchmark standards, as they now stand, are greatly flawed and yield rates that are insufficient to cover costs and to provide reasonable profits for our cable companies.

5. In view of the foregoing, the only viable option to permit us to recover costs and earn a reasonable profit may be to choose the cost-of-service standard of regulation. However, this safety value is not, as a practical matter, available to us at this time and we are not able to engage in any meaningful cost-of-service analysis on which to base our rates because the FCC has not yet adopted rules or standards governing cost-of-service showings. We would not choose the benchmark method if cost-of-service permitted us to support our existing rate structure.

6. The rate reduction and loss of revenues described above, based upon the application of benchmark standards, would have an immediate, adverse and irreparable impact on our cable operations. It would seriously impede our ability to make improvements in our facilities and services. In addition, because of the rate reduction, our predicted cash flow will fall to a level that probably will cause our cable companies to be in breach of their loan covenants. This, in turn, will require us to seek amendments from our lenders and, moreover, our lenders may restrict further borrowing

because of our reduced cash flow. Without the availability of such additional capital, the problem of funding plant extensions and improvements in our facilities and services will be compounded and could result in violations of our franchise commitments. Finally, we believe that the FCC regulations, as they now stand, place us in an unfair dilemma of not being able to realistically choose between the benchmark and cost-of-service approaches because we do not know what the FCC cost-of-service will ultimately be, thereby effectively forcing us to reduce rates to a confiscatory level based upon the benchmark methodology.

I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Dated this 27th day of July, 1993, in Miami, Florida.



Victor S. Falk, III

Declaration of the Arizona Cable TV Association

1. I, Susan Bitter Smith, am the Executive Director of the Arizona Cable TV Association ("ACTA"). ACTA is the trade association of the cable television industry in Arizona. The Association represents over 95 systems serving over 650,000 subscribers statewide.

2. ACTA's mission is to assist its members in providing premier telecommunications service in the communities they serve.

3. I have been associated with ACTA since 1979. Through my activities with ACTA, I am familiar with the overall operations of small, rural cable television systems, including their rates and profitability, as well as license agreements with local authorities and credit agreements with lenders.

4. As part of my responsibilities with ACTA, I have reviewed the Commission's cable television rate regulations, and have solicited and received comments from member systems on the anticipated impact of those regulations on the ability of our members to continue their current level of cable television service. ACTA actively participated in filing comments on this issue during the FCC's initial rulemaking.

5. Based on my review of the regulations, my experience in the cable television industry and my discussions with member organizations, some small, rural cable television systems currently charge rates in excess of the benchmark rate prescribed by the Commission.

6. Small, rural cable systems have historically maintained small profit margins due to the limited nature of their market.

7. Based on my experience with ACTA, small cable television systems typically are highly leveraged. In the experience of our members, lenders frequently impose minimum cash flow requirements as a condition for extending loans. The ability of ACTA's member organizations to service existing debt and obtain additional working capital loans will be substantially impaired if benchmark rates are adopted.

8. In addition, cable television systems, by law, have existing license obligations that require not only continued license fees, but extensive rebuilding of plant to keep current with developing technology.

9. Small system operators cannot afford professional services, such as attorneys and accountants, on a regular basis, which will severely hamper them from calculating "cost of service", putting them at a disadvantage to larger systems.

10. Many small system members of ACTA have indicated that they will find their businesses in jeopardy if they have to continue with a "benchmark" rate.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: 17th day of June, 1993 at Maricopa County, Arizona.

